

Report of the Audit Committee on the course and results of its activity

Shareholders, ladies and gentlemen,

The Audit Committee of Komerční banka, a. s., charged me to present to you the Report of the Audit Committee on its activity and results for the period from the general meeting held on 24 April 2019 to this general meeting today. During this period, there were eight regular meetings held by the Committee.

The main activities of the Audit Committee during the past period can be divided into four areas:

1. Supervision over the Bank's financial reporting

As a part of its terms of reference, the Audit Committee monitored the process of preparation of the annual financial statements and consolidated financial statements and expressed itself on the consistency and integrity of the Bank's accounting and financial reporting systems. Doing so, the Audit Committee used the information and evidence submitted by the Bank's executives and external auditor and, where needed, asked for and received additional information and explanations. The Audit Committee did not detect any shortcomings in this area.

2. Assessment of the efficiency of the Bank's internal control and risk management system

In this area, the Audit Committee monitored the efficiency of the internal audit and its functional independence especially by discussing the regular reports of the Bank's Internal Audit Department on its activities, on the content and results of the conducted missions, on the imposed corrective measures and on their implementation. The Committee also dealt with risk mapping, including the area of IT, security and the "know-your-customer" approach, the plan of the internal audit for 2020 and the strategic audit plan for the period 2020 – 2024.

The Audit Committee used the possibility of addressing the managers of the internal audit and risk management, submitted recommendations and received all additional information which they requested. Based on this, the Committee submitted recommendations about matters concerning the internal audit to the Bank's Board of Directors, monitored the way in which the Bank's executives reacted to the Internal Audit's findings and recommendations, and did not detect any substantial shortcomings.

Furthermore, the Committee discussed the overall functioning and effectiveness of the Bank's management and control system in 2019 stating that the system covered all principal risks incurred by the Bank and knowing that there were some areas for improvement and that there were action plans adopted to deal with these areas.

The Audit Committee considers the activity in the area of internal audit, internal control and risk management effective and came to the conclusion that the main risks incurred by the Bank were duly identified and managed.

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3. Assessment of the activity and independence of the external auditor

Deloitte Audit, s.r.o., was the external auditor of the Bank throughout the whole of the assessed period.

The Committee was informed of the external audit activities during the preparation of the financial statements for the year 2019 and of the ongoing activity conducted by the external auditor, the representatives of which attended the meetings of the Audit Committee and answered questions raised by the Committee members. The Audit Committee also discussed the contract with the external auditor and did not raise any objections thereto.

Among other things, the Committee discussed the “Constructive Service Letter” worked out by the company Deloitte Audit, s.r.o., dealing with the findings of the external auditor made in the course of the audit of the financial statements for the year 2018, including the corrective measures recommended for their settlement.

The Committee monitored the course of the statutory audit and stated that the Bank’s executives followed the recommendations made by the external auditor.

The Committee also discussed the “extended” report of the external auditor on the results of the audit for the year 2019.

The Committee also had the obligation to assess the independence of the audit company Deloitte Audit, s.r.o., in terms of the external auditor’s function and of the provision of additional (non-audit) services to the Bank by Deloitte Group companies. The Audit Committee stated that the external auditor met the conditions of independence.

The Audit Committee recommended that the Supervisory Board would submit to the general meeting a proposal for approving the company Deloitte Audit, s.r.o., as the external auditor of the Bank also for the year 2020.

4. Discussion over the financial results of KB Group and presentations for investors

At its meetings, the Audit Committee continuously discussed the financial results of the Bank’s Financial Group for the individual quarters and the budget for the year 2020. Attention was also paid to the capital adequacy of the Bank and of the Financial Group as a whole, and to the objectives and impacts of the regulation. This included the expected evolution of the said indicator in the future. The Committee also received information on the Bank’s credit risk profile.

The Committee also discussed the annual financial results of KB's Financial Group for the year 2019 and the consolidated and annual (separate) financial statements of KB as of 31 December 2019 and the notes thereto worked out under the International Financial Reporting Standards and the proposal for the distribution of profit for the year 2019.

The Committee regularly received presentations on the results achieved by KB's Financial Group in each quarter which were prepared for the investors in the shares of Komerční banka, a. s., traded on the public market.



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The Committee assessed the submitted documents favorably and considers the amount of information and the consistency of the data provided to the investors as adequate.

The documents submitted to the Audit Committee were presented and commented upon by the competent members of the Board of Directors and Bank's executive directors at all Audit Committee meetings. The meetings were always attended by representatives of the external auditor.

The Committee also received additional reports and information which they requested.

The Committee also discussed and approved the report on its activity for the past period and submitted it to the Public Audit Oversight Board.

The Audit Committee exercised all of its powers in compliance with the legislation and the Bank's Articles of Association.

Ladies and gentlemen,
thank you for your attention.